

PAUL F. RICE, ATTORNEY

PO Box 277, Jackson, TN 38302-0277 ph. (731)554-9200 x6285

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T.R.A. DOCKET ROOM

September 20, 2004

Richard Collier, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Arbitration of Aeneas Communications and BellSouth, Docket 04-00017

Dear Mr. Collier,

We have been requested to provide your office with a status report on our arbitration proceeding with BellSouth as of July 1, 2004. After the DC court opinion, we agreed with BellSouth in effect to put our talks on hold until the regulatory environment settled down.

We had been working toward resolving various issues raised in the arbitration proceeding by including an attachment tracking the "Georgia Code of Conduct" which recognizes certain principles of good faith and fair dealing between ILECs and CLECs. The parties have not drafted a Tennessee version of a code as of yet, but I am confident we can do that by agreement without too much difficulty, and have assumed we will for purposes of this status report.

General Terms and Conditions: We put six issues into arbitration in this section. All but two issues have been resolved, one of the open items is seeking attorney fees for the CLEC when successfully enforcing its rights against BellSouth, the other having to do with the appropriate rules of construction to apply to the ICA.

Attachment 1. The two issues raised here are likely resolved by adopting a Tennessee Code of Conduct.

Attachment 2. The parties were not able to make much headway on Attachment 2 which deals primarily with rates for various elements due to the regulatory environment, and that continues to be the case.

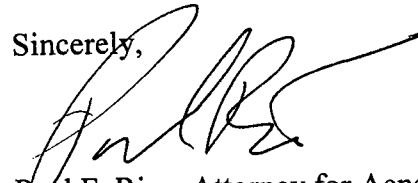
Attachment 3, 4, 5, and 6. Aeneas is prepared to accept these attachments as proposed by BellSouth.

Attachment 7. The parties have agreed to specific language for the bond requirement in this section.

Attachment 8-End. Aeneas is prepared to accept these attachments as proposed by BellSouth.

We understand that the FCC will release its new rules after the election. I feel sure we will see some movement in our negotiations with respect to Attachment 2 as a result. There is a pending request for BellSouth to agree to adopt all undisputed attachments above, plus an amendment to the General Terms and Conditions that BellSouth has requested concerning the 'pick and choose' rule. This proposal was just made and it is too early at this writing to expect a response. Otherwise, there has been no progress since our last update. Please advise if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul F. Rice", written over a horizontal line.

Paul F. Rice, Attorney for Aeneas
Communications, LLC

Cc: Guy Hicks
BellSouth
333 Commerce Street
Suite 210
Nashville, TN 37201-3300